

Report on Reinventing the Treasury Budget Formulation Process:

INTRODUCTION

Each Treasury departmental budget formulation cycle invites a new critique of how better to improve the process and outcome. Continued delays in recent years has challenged us to review opportunities for process changes.

Given the dynamics of the current budget policy arena in the Executive Branch, the Departmental Budget Office proposes to capitalize on the opportunity for quality improvement now presented. The current budget process also is perceived to be inadequate to support the Department's *overall* decision making process on full resource allocation and use. The Department's Management organization is seeking ways to streamline the process to be responsive to today's more complex landscape of resource allocation issues.

BACKGROUND

In both government-wide and Treasury contexts, there have been periodic movements to re-invent the budget formulation process, providing useful learning tools for understanding the current task force recommendations. In 1990, Treasury Management established a Quality Improvement Program, of which one subject area was an examination of Treasury budget formulation. The team evaluating that process noted that effective budget planning was hobbled by impediments to getting useful budget baseline data. In practice, no reforms were implemented, largely due to inadequacy of bureau reporting mechanisms.

In 1993, The National Performance Review recommended a major streamlining of the Executive Branch budget process, having as its centerpiece the institution of a consensus-based Executive Branch budget resolution and biennial budgeting.

The observations and conclusions of subgroups comprising Treasury's Task Force on FY 2000 Budget Formulation are consistent with past attempts to make the process work better than it does. Currently, the entire cycle is severely segmented, involving three distinct policy iterations each building to a crescendo, but of successively lower funding expectations. Bureau and individual program office budgeteers and planners experience the most frustration with this practice, since they are called upon to retool their planning and budget landscape three times each year, and then one more time following enactment of appropriations. The burden of this process has been substantially increased in complying with the Results Act requirement that performance plans and reports accompany every budget iteration.

Task Force recommendations go further than past reform efforts. They take their inspiration from the Results Act emphasis on comprehensive planning and coordination of resources, and from the more recently enacted Clinger-Cohen Act and new guidance on capital investments. The Task Force has amply demonstrated that the Treasury Management organization, despite functional specialization, must capture the full element of the planning/budget process Treasury-wide.

This report provides the background and mechanism for leveraging this improvement process and reinventing the way we do business. The historic opportunity here is to position the Department – through process reinvention – so that we can regain the initiative to tell our story more effectively and continue strengthening the linkage between budget and planning.

TASK FORCE CHARTER

A task force was chartered to review the budget formulation process and make recommendations about any or all aspects of it. The task force was comprised of Departmental and bureau personnel representing offices that are stakeholders in Treasury budget formulation.

<i>TASK FORCE PROCESS</i>

<i>March</i>	<p>! The Assistant Secretary, along with Deputy Assistant Secretaries for Strategy and Finance and Management Operations, chaired a plenary session attended by budget formulation stakeholders who had accepted ASM's invitation to be task force participant/members. The goals of this session were to:</p> <ul style="list-style-type: none"> • Discuss characteristics of the existing process, and • Identify conflicts, inconsistencies, and problems in its substance and dynamics.
<i>April</i>	<p>! The task force staff in the Office of Budget converted all potential topics identified at the opening session to a decision grid for ranking by the task force direction staff according to member preferences. The top three were:</p> <ul style="list-style-type: none"> • Effective approaches to budget base analysis; • Stewardship of capital investment (CI), and incorporation of CI decision-making into the budget process; and • Integrating the Department's three major resource-determination processes: strategic planning, information technology (IT) planning, and budget formulation. <p>! Conference Call with members to reach consensus on addressing the top three, and to develop action plan for deliberations and recommendations, to be conducted by three subgroups.</p> <p>! Task force subgroup assignments which met weekly to formulate definitions, develop problem statements, consider findings and input from individual members, and formulate recommendations, culminating in a report submitted to the full task force.</p>
<i>May</i>	<p>! Task force review of draft reports in preparation for full session.</p> <p>! The task force convened once again to discuss subgroup recommendations, short term and extended.</p> <p>! Subgroups met to consider concerns or disagreements raised by members, and incorporating final edits.</p> <p>! Task force executive staff drafted final report, synthesized from recommendations in subgroup reports. Draft report was distributed to task force members.</p>
<i>June</i>	<p>! Task force co-chairs and executive staff brief management and pursue next steps for FY 2001 budget process</p>

SUBGROUP FINDINGS AND RECOMMENDATIONS

The three subgroups discussed their assigned topics in a series of meetings, conference calls, e-mails and exhibits. The following is a synopsis of their work:

1. BASE ANALYSIS:ISSUE:

- The current Treasury formulation process invites open-ended proposals from bureaus, and encourages budget augmentation as the principal means of program improvement.
- This is in conflict with declining resource availability under current statutory provisions, and diminishes credibility with OMB or Congressional appropriators that we are continually assessing optimal use of base resources.

AREAS BEING STUDIED

- Fundamental changes in the formulation process are needed to provide the incentive for meaningful and constructive base analysis.
- Authoritative guidance should be issued to bureaus that identify programmatic resource allocations meeting performance objectives at specified funding levels.

2. INTEGRATING MAJOR RESOURCE DECISION-PROCESSES:ISSUE:

- *Coordination* between Treasury policy offices in issuing program priority guidance.
- Equally challenging, bureaus expend enormous energy on budget enhancement proposals that are not accommodated within final funding constraints.

AREAS BEING STUDIED

- Offices of Budget, Strategic Planning, and Information Technology should fully integrate guidance, in contrast to disseminating it separately.
- Policy offices should provide guidance on strategic plan points of emphasis before budget formulation guidance.
- Discussion of all of the above between the Department and bureaus should occur earlier in the process.

- Refine performance measures to reflect mission-critical objectives and commensurate funding, and establish an annual conference to improve their usefulness.

3. SUBGROUP ON STEWARDSHIP OF CAPITAL BUDGETING:

ISSUE

- Capital investment decision process is essential for bureaus and Treasury-wide, to ensure best planning/management of scarce resources and to comply with new requirements.
- Treasury and bureaus need a *comprehensive and cyclical* process that responds accordingly.

AREAS BEING STUDIED

- Ad hoc cross-functional review teams in Treasury should evaluate FY 2000 capital investment proposals in support of the CIO and DAS/Management Operations.
- ASM should create a new board to:
 - √ evaluate all investment proposals,
 - √ develop investment decision criteria; and endorse, and prioritize for potential funding, meritorious projects based on relevant OMB and strategic plan criteria, and
 - √ ensure that investments are planned and executed with technical soundness.
 - √ oversee function of bureau processes for consistency with Treasury's investment review.
 - √ include technical support teams, representing various management and policy offices, that would perform reviews and analysis, and be access points for bureau concerns.